

MINUTES

NATURAL RESOURCES COMMISSION

**Holiday Inn Express
1255 N. Dixie Highway
Monroe**

June 5-6, 2003

Present

Jim Campbell
Keith Charters, Chair
Paul Eisele, Vice-Chair
Bob Garner
John Madigan
Bill Parfet
Frank Wheatlake

K. L. Cool, Director
A. Michael Leffler, Legal Counsel
George Burgoyne, Resource Management Deputy
James Ekdahl, Upper Peninsula Field Deputy
Kelli Sobel, Administrative Services Deputy
Department Staff

COMMITTEE OF THE WHOLE

Chairman Charters called the Committee of the Whole Meeting of the Natural Resources Commission (NRC) to order at 3:00 p.m. on Thursday, June 5, 2003. The Committee of the Whole is a working session of the NRC.

Investments Strategy

Commissioner Parfet stated that this issue is being brought before the full Commission following several months of discussion during the meetings of the NRC Policy Committee on Finance and Administration. The purpose of this discussion is to obtain NRC approval to implement the authority to invest in equities in an attempt to enhance return on assets. The following funds were identified for proposed investment changes:

- Natural Resources Trust Fund
- State Parks Endowment Fund
- Game and Fish Protection Trust Fund
- Civilian Conservation Corps Endowment Fund

MINUTES

Page 2

June 5-6, 2003

- Non-Game Fish and Wildlife Trust Fund
- Game and Fish Protection Lifetime License Fund

Commissioner Parfet requested NRC concurrence on asset allocation; a six month implementation strategy; decision on how often the NRC would like updates on investments; and the next level of allocations.

Kelli Sobel, Administrative Services Deputy, provided comparisons of the current investment strategy versus the recommended investment strategy utilizing a span of 14 years (1988 through 2002) for the Game and Fish Trust Fund. The recommended strategy ending balance investment corpus was between one-and-a-half and two times higher than the current strategy. She also reviewed the recommended asset allocation for each fund.

Chairman Charters noted that constituents have been involved in the discussions leading up to the investment strategy recommendations through participation at the NRC Policy Committee on Finance and Administration meetings and are supportive.

Commissioner Wheatlake commented that, if the smoothing fund level is high, discipline will need to be used in spending.

Commissioner Parfet recommended Commission approval on the investment strategy recommendations. The Michigan Natural Resources Trust Fund Board will also be asked to approve the recommendation for the Michigan Natural Resources Trust Fund.

Commissioner Parfet stated that the Department of Treasury supports the recommendation. He commended the DNR Administrative staff for their efforts in this process and for providing the information needed to develop this strategy.

2004 Budget

Kelli Sobel reported that the DNR budget has passed out of the Senate Subcommittee on Appropriations and will go to the Senate Appropriations Committee on Tuesday, June 10. **Ms. Sobel** reviewed proposed changes to the budget. She commented that it is in the early stages of development and to expect more changes as it progresses through the Legislative process.

2003 Budget

Kelli Sobel presented a brief update on the 2003 DNR Budget status. She noted that currently there is a shortage in the school aid fund and the DNR is uncertain if or how that will affect the DNR's general fund.

MINUTES

Page 3

June 5-6, 2003

Commissioner Parfet emphasized that, in periods of scarcity and shortfalls in funds, it is important the DNR's funds be protected. **Ms. Sobel** said that fund balances do exist and remain vulnerable. She agreed that the funds must be protected from this happening. **Chairman Charters** supports development of fund protections.

Federal Audit

Kelli Sobel reported on the status of the Federal Audit. This has been an ongoing process for over several years. The Department continues to attempt to resolve issues with the Federal government and will continue to update the NRC on this issue.

* * *

The Committee of the Whole meeting adjourned at 4:10 p.m.

REGULAR MEETING OF THE NATURAL RESOURCES COMMISSION

Chairman Charters called the regular meeting of the Natural Resources Commission (NRC) to order at 4:35 p.m.

PUBLIC APPEARANCES

Joanne Elliott, Huron River Committee, is a homeowner on the Huron River in Huron Township who expressed concern with the weed growth in the River. She believes that activity upstream of her home is causing low water levels in the River.

Lois Johnson, Huron River Committee, is a property owner on the Huron River in Woodhaven who expressed concern with the water level changes to the River and the resulting ecosystem changes.

Carol Miles, Huron River Committee, expressed concern regarding the weed growth in the Huron River between New Boston and Flat Rock. She is concerned that the River flow in that area may be stopped or rerouted not allowing use by future generations.

Commissioner Eisele stated waterbody level issues are addressed by the Department of Environmental Quality.

Commissioner Campbell stated there are water level problems in the area and that spawning beds no longer exist.

Leonard Mannausa requested that Celeron and Stony Islands, along with Michigan's Great Lakes bottomlands not be transferred to the U. S. Department of the Interior. He specifically expressed concern that contamination on Grassy Island will eliminate the chance for it to become a National Wildlife Refuge.

Rob Anderson, Michigan Farm Bureau, thanked the NRC for reconsidering continuation of the late antlerless season in some counties in the state. He requested that Hillsdale County be added to the proposed list. **Commissioner Garner** encouraged Michigan Farm Bureau members to utilize the late antlerless season to reduce deer populations on private property. **Mr. Anderson** responded that members will do what they have to do to meet population goals.

Chairman Charters asked that the Farm Bureau provide data on what the farmers are doing to reduce deer populations. **Commissioner Garner** agreed with the request and stated that more data is needed to be able to focus on the areas where landowners need to be encouraged to open their property to hunting.

MINUTES

Page 5

June 5-6, 2003

Commissioner Campbell stated that it is important to get landowner cooperation from as many as possible because deer do not know property boundaries.

Jeanne Micka, Lotus Garden Club, Monroe, reported that the lotus flower is on the way to becoming a symbol of clean water in Michigan. It has had a dramatic recovery in the Monroe County area and is a protected species in the area. The Garden Club has partnered with local businesses and corporations in support of this designation and protection of the plant. She noted that it has been a great experience dealing with staff of the DNR on this issue.

Herman Gertz and Harry Libel thanked the DNR for the redevelopment of Sterling State Park. They asked that the DNR work with the Lotus Garden Club in passing the Senate Bill designating the lotus flower as the largest aquatic species.

Tom Guthrie, Monroe County Rod and Gun Club, opposed any land exchanges on Otter Creek near the boating access site. **Commissioner Eisele** noted that this issue is not proposed and/or on the agenda for Director's Action. He asked about the quality of site maintenance. **Mr. Guthrie** responded that a work release program exists with the county sheriff's department to maintain the site.

Harold Cod, Huron River resident, stated that there is a ¾ mile stretch where no channel exists near Middlebelt and has been filled in. He would like this opened up to prevent rerouting of the water flow and believes this change occurred rapidly, versus a natural progression.

Andrew Brandt, Centerville, supports the late antlerless hunting season.

* * *

The Natural Resources Commission meeting adjourned at 5:25 p.m. on Thursday, June 5, 2003 and reconvened at 12:00 noon on Friday, June 6, 2003.

* * *

APPROVAL OF MINUTES – MAY 8-9, 2003 NATURAL RESOURCES COMMISSION MEETING

Commissioner Eisele made a motion, supported by Commissioner Wheatlake, for approval. Motion unanimously carried.

**LATE ANTLERLESS DEER SEASON REGULATIONS, WILDLIFE
CONSERVATION ORDER, AMENDMENT NO. 8**

Commissioner Garner made a motion, supported by Commission Madigan, for approval with the addition of Hillsdale County. Motion unanimously carried.

**TRAPPING REGULATIONS, WILDLIFE CONSERVATION ORDER,
AMENDMENT NO. 9**

Commissioner Garner made a motion, supported by Commissioner Eisele, for approval. Commissioner Campbell said discussions are ongoing relative to changing the otter limit and the size of the colony trap. Ms. Humphries stated that further discussions will be held on issues. Commissioner Campbell asked that the method for obtaining trapping permits be addressed to the public and through the Hunting and Trapping Guide. **Motion unanimously carried.**

**REHABILITATION PERMIT REGULATIONS, WILDLIFE CONSERVATION
ORDER, AMENDMENT NO. 11**

Commissioner Garner made a motion, supported by Commissioner Campbell, for approval. Commissioner Garner acknowledged the interest groups were well organized and good to work with on this issue. **Motion unanimously carried.**

* * *

Director Action Items

Director Cool stated he intends to approval all Director's Action Items on the agenda **except Sale of Easement Across Dedicated State-owned Land, Grayling Forest Management Unit – Crawford County, Land Transaction Case #19980106, which will be held over for further review.**

Chairman Charters commented on the Land Transaction: Sale of Easement Across Dedicated State-owned Land, Grayling Forest Management Unit – Crawford County, Land Transaction Case #19980106. Chairman Charters expressed concern that the state is giving access to a private piece of property totally surrounded by State land and the value of the access is \$8,000. Without it, what is that piece of land worth? His second concern is, once we sell that piece of property totally surrounded by State land, there is a 450-foot barrier around it. How much land is the buyer acquiring, eliminating the option to hunt on the State property within the legal range of a property line?

SUPPLEMENTAL FEEDING IN THE UPPER PENINSULA

Commissioner Madigan made a motion, supported by **Commissioner Wheatlake**, to request that a **Wildlife Conservation Order Amendment** be drafted for public comment to continue supplemental feeding in the Upper Peninsula (UP) with the following stipulations: 1) no feeding south of US-2; 2) if chronic wasting disease is found within 50 miles of the Michigan/Wisconsin border it will be terminated; 3) that the permit process continue as is; 4) if chronic wasting disease or bovine tuberculosis (TB) is found in the UP, all baiting and feeding would stop; 5) begin feeding on January 15; and 6) feeding would not be allowed in the four counties of Michigan bordering Wisconsin.

Commissioner Campbell opposed the motion and does not believe anything would be gained by its approval. **Commissioner Madigan** explained that he is on the Commission to help the resource and to represent the citizens of the UP when they have valid arguments. He stated the disease has not been detected in the Upper Peninsula and noted that language was added that if the disease appears, feeding will be stopped. **Commissioner Garner** opposes this motion and believes the conservation order would change things drastically. He expressed concern that, even drafting an order would give the UP citizens hope that the NRC will change its mind after being very emphatic about the decision. He believes that, had the NRC banned feeding in the TB area before TB occurred, TB may never have occurred. **Commissioner Wheatlake** believes feeding should be allowed to continue and that an annual evaluation be done. **Commissioner Madigan** stated that half of the UP is under DNR deer population goals; the other half is slightly over and that makes it hard for them to understand why feeding is banned. **Commissioner Parfet** opposed this motion and believes it would create false hopes.

Roll call was taken: **Voting Yes:** **Commissioners Wheatlake, Madigan and Eisele.** **Voting No:** **Commissioners Parfet, Garner, Campbell, and Charters.** **Motion failed 3-4.**

* * *

Chairman Charters commended **Director Cool** for the Sterling State Park Dedication held earlier.

Chairman Charters expressed appreciation to the people of Monroe County and southeast Michigan for cooperating with the DNR on the State Park and hosting this meeting.

Chairman Charters thanked **Ray Underwood** for hosting the NRC on the fishing trip.

INVESTMENT STRATEGY

Commissioner Parfet made a motion, supported by Commissioner Garner, as follows: As authorized by the passage of Proposal 2, the NRC recommends that the DNR request the Department of Treasury to begin including equity securities as part of the asset allocation plan for our portfolio of funds held for investment purposes. The DNR shall request that dollar cost averaging techniques be used to achieve equity investment securities percentages by the end of calendar year 2003 as identified in the following table:

<u>Fund Name</u>	<u>Asset Allocation Recommendation</u>		<u>Near-term Equity/Fixed</u>
	<u>Spending Plan</u>	<u>Target Spending Reserve</u>	
N R Trust Fund	5% plus 1/3 of reserve excess and special use withdrawals	20% of Corpus (1)	25/75
Park Endowment	5% plus excess reserve used for capital outlay (2)	20% of Corpus	25/75
Game and Fish Trust	5% moving average	none, but program fund target balance would be \$10 million	50/50
MCCC Endowment	income or appropriation whichever is lesser	\$500,000	0/100
Nongame Trust	5% moving average	66.7% of equities and bond funds	10/90
Lifetime License	value of licenses plus excess	50% over 100% minimum need (3)	75/25

Notes:

1. Trust Fund spending reserve to be funded with earnings in excess of 5% and with unusually large mineral revenues.
2. Current budget needs may require that a higher spending amount will be needed in 2004.
3. Would target fund balance at amount needed to replace licenses assuming 5%, with a reserve of an additional 50%.

Motion unanimously carried.

* * *

The meeting adjourned at 12:31 p.m.